

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: January 30, 2008

Bill Number: H.B. 4549

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-36-2647 so as to provide that the sales, use, and casual excise tax revenues in a fiscal year from the sale, use, or titling of a vehicle required to be registered and licensed by the South Carolina Department of Motor Vehicles must be credited to the State Highway Fund, to phase in this distribution, to provide for the use of these revenues, and to "hold harmless" the Education Improvement Act (EIA) fund for reserves not credited to it pursuant to the provisions of Section 12-36-2647 as added by this Act.

REVENUE IMPACT ^{1/}

This bill would reduce General Fund sales tax and individual income tax revenue by \$10,000,000 and increase the State Highway Fund by \$10,000,000 in FY2008-09. In FY2009-10 and each fiscal year thereafter, General Fund sales tax and individual income tax revenue would be reduced by \$30,000,000 and transferred to the State Highway Fund until an estimated \$100,150,000 is reached in FY2011-12.

Explanation

This bill would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state public school building fund and credited to the State Highway Fund. The sales tax paid by a purchaser of a motor vehicle is the lesser of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. Based upon the Board of Economic Advisors' maximum sales tax cap model, the amount of General Fund sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$94,100,000 in FY2008-09. This bill would allow an amount equal to \$10,000,000 from the sales of motor vehicles to be credited to the State Highway Fund in FY2008-09. The revenues must be used exclusively for highway, road, and bridge maintenance. Pursuant to Section 12-36-2620, the \$10,000,000 would be deducted from the full pot of \$94,100,000 and divided by an 80/20 split with 80 percent deducted from the General Fund and 20 percent deducted from the Education Improvement Act (EIA) fund. The loss of EIA revenue would be replaced with General Fund individual income tax revenue. In each fiscal year thereafter, an additional \$30,000,000 would be added to the cumulative total amount credited to the State Highway Fund in the preceding year until all of the sales tax revenue from the sales of motor vehicles is credited to the State Highway Fund in FY2011-12. This amounts to an estimated \$100,150,000 in FY2011-12. This bill would also "hold harmless" the loss of revenue not credited to the EIA fund from a transfer of income tax revenues from the General Fund to the EIA fund. In FY2008-09, General Fund individual income tax revenue would be reduced by \$2,000,000 and transferred to the EIA fund. In each fiscal year thereafter, an additional \$6,000,000 would be transferred from the General Fund income tax revenue and transferred to the EIA fund.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.